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CAIRO FOR ECPO GREG LOGERFO, PLEASE PASS TO STAFFDEL GROVE

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TAGS: [PGOV](#) [PINS](#) [PTER](#) [ECON](#) [ENRG](#) [OREP](#) [IZ](#) [TU](#)

SUBJECT: TURKEY SCENESETTER FOR STAFFDEL GROVE, JULY 25-28, 2007

¶1. (SBU) Summary: Turkey's ruling Justice and Development Party (AKP) scored a significant victory in Sunday's polls and appears set to form another single-party government with a mandate to pursue its economic reform policies. On Iraq, Turkey continues to be an essential partner, supporting coalition forces by allowing use of its territory as a logistical hub. The single biggest obstacle to bilateral relations is PKK terrorism. Turkey has repeatedly expressed impatience at the lack of U.S. action against PKK terrorists in northern Iraq and has threatened to strike at PKK targets across the border if the U.S. or Iraq do not act. A U.S. Congressional Armenian genocide resolution would likely work against those in Turkey calling for a collaborative look at 1915 events, jeopardize U.S. national security interests in Turkey and Iraq, and complicate the security environment for U.S. citizens and USG personnel. Turkey's economy has achieved five years of GDP growth averaging over 7% -- the highest rate of any OECD country. Because of its strategic location, Turkey aspires to increase its role as an energy transit country by piping natural gas to meet Europe's growing needs, and will soon begin transporting gas from Azerbaijan to Greece. End summary

MISSION SUMMARY

¶2. (SBU) Mission Turkey consists of four posts: Embassy Ankara, Consulate General Istanbul, Consulate Adana, and a two-person Consular Agency in Izmir. Country-wide, there are currently about 300 American positions and almost 700 locally employed staff (LES) members working for over 20 agencies throughout the Mission. The Mission's FY 2007 operating budget was \$30 million. Mission Turkey is scheduled for a New Embassy Compound (NEC), with construction set to begin in ¶2010. We are now working to identify a property for the NEC site that is both centrally located and affordable.

ELECTION RESULTS

¶3. (U) In the July 22 parliamentary elections, unofficial results indicate that Turkey's ruling AKP scored a significant victory, returning to power with 46% of the vote, up from 34% in the 2002 election. Two other parties crossed the ten percent election threshold required to enter parliament, along with 27 independent candidates, creating a

fractious if more representative legislature. AKP appears set to form another single-party government, with around 340 of parliament's 550 seats, but returns with a reduced majority and short of the 367 seats needed to elect the next president or amend Turkey's military-drafted constitution. The opposition CHP, with 20% of the vote, lost seats in several of its strongholds. Commentators view the results as the opposition's failure as much as AKP's success. Official results are expected within days, barring major challenges. The new parliament will convene five days after final results are announced; election of a Speaker, formation of a new government, and election of Turkey's next president will top the agenda.

14. (U) AKP now has a mandate to pursue its economic development and modernization policies, EU membership and political reform for another term. Erdogan was magnanimous in an acceptance speech which stressed unity, democracy, and stability. His first real test will be choosing a presidential candidate who can bridge the divide between a shattered left and jubilant AKP supporters. Turkey's elections were a clear showing of the strength and increasing maturity of Turkey's democracy.

IRAQ/PKK

15. (SBU) For over 22 years, the PKK has conducted terrorism against the Turkish government which has resulted in the deaths of about 37,000 Turks. Since the end of its self-imposed five-year cease-fire in 2004, the PKK has conducted attacks against Turkey from strongholds in northern Iraq, killing over 600 Turkish civilians and military and foreigners in 2006 alone, and nearly 100 in 2007. The increased violence prompted the government and military to

warn of possible cross-border operations into Iraq. The USG has strongly discouraged this, citing Iraqi sovereignty and the risk of increased instability. The United States has been Turkey's closest ally in the fight against the PKK, securing EU agreement to place the PKK on its list of terrorist organizations; spear-heading a Europe-wide effort to close PKK financial, logistical, and media support outlets there; and leading a trilateral (US/TU/IZ) process to stop the threat emanating from northern Iraq. In August 2006, the U.S. appointed Gen (ret) Joseph Ralston as Special Envoy to Counter the PKK to head-up a renewed trilateral process.

16. (SBU) Iraq remains a major concern for Turkey. Turkey worries about increasing instability in Iraq, growing Iranian influence in the region, and the potential for Iraq to splinter along sectarian or ethnic lines. The GOT is also concerned about Iraqi Kurdish ambitions to expand their territory to include oil-rich Kirkuk. The prospect of a referendum later this year on the future status of Kirkuk exacerbates Turkish fears that a Kurdish annexation of the province will lead to massive inter-communal violence, and, ultimately, the dissolution of the country. Transfer of the control of Kirkuk to the Kurdish Regional Government also sparks fears of the creation of an independent Kurdish state.

Turkish political leaders have sought to reinforce Iraq's unity and territorial integrity, and have been among the most active of Iraq's neighbors in the Iraq Neighbors Process. Turkey hosted a meeting of the energy working group in June and hopes to host ministers in September in Istanbul.

17. (SBU) Turkey's agreement to allow the use of its territory as a logistical hub has been a combat multiplier for our Iraq operations. Approximately 3 million gallons per day of gasoline and diesel fuel for the Iraqi people and 25% of sustainment fuel for coalition forces crosses into Iraq through the Ground Line of Communication at Habur Border Gate. Since May 2005, when Turkey approved the use of Incirlik Air Base as a cargo hub to support coalition operations in Iraq, over 152 million pounds of equipment have been shipped to U.S. troops. Over 50% of all air cargo into Iraq has transited the Incirlik cargo hub. Six C-17 aircraft now deliver from Incirlik the amount of supplies it originally took 9-10 planes to deliver from Germany, saving

over \$160 million per year in transportation costs. Up to ten KC-135 tanker aircraft have been based at Incirlik since 2003 to support refueling operations in support of Operation Enduring Freedom and Operation Iraqi Freedom, running over 2800 refueling sorties and delivered over 192 million pounds of fuel. Turkey has four personnel assigned to NTM-I in Iraq and has trained 57 Iraqi military officers in Turkey.

EU ACCESSION

¶8. (U) A double-election year contributed to the GOT,s failure to enact reform on several high-profile political issues, such as Turkish Penal Code Article 301 (insulting "Turkishness"), even while technical-level EU harmonization continued. The EU,s June 26 decision to open negotiations on two chapters (Statistics and Financial Control) but not an expected third (Economic and Monetary Union) left Turkish officials frustrated and concerned that the EU,s December annual progress report could recommend suspension of additional chapters. The Turkish public, meanwhile, has grown increasingly skeptical of the EU venture, in large part as a reaction to Euro-skepticism of Turkey, reflected most notably by French President Sarkozy,s preference of a "privileged partnership" vice full membership. AKP, historically the party most committed to Turkey,s EU membership, now has the chance to use its electoral mandate to breathe new life into the process.

HOUSE RESOLUTION ON ARMENIAN GENOCIDE

¶9. (SBU) The USG has worked hard to encourage a candid discussion in Turkey of the tragedy suffered by ethnic Armenians during World War I. The Turkish and Armenian governments have discussed commissions of academics and historians from Turkey and Armenia to ascertain the facts, in

parallel with efforts to reestablish official bilateral relations. The January 2007 murder of Turkish Armenian journalist Hrant Dink has contributed to a new openness, with growing calls for changes to Penal Code Article 301, which criminalizes "insulting Turkishness," and stifles Turks, ability to discuss fully the events of 1915. A U.S. Congressional resolution labeling this tragedy a "genocide" would trigger an intensely negative and nationalist response, and would work against those voices in Turkey that are calling for a comprehensive exploration of these events and for normalizing bilateral relations with Armenia.

¶10. (SBU) A resolution would also have negative consequences for U.S. national security interests in Iraq and elsewhere. Supply routes into Iraq that are crucial to supporting U.S. troops, military overflights, and use of Turkish bases that support U.S. military operations in Iraq and Afghanistan could be jeopardized. Additionally, major defense procurement contracts with U.S. manufacturers (with expected and potential sales exceeding \$10 billion) could be scrapped. Agricultural purchases might also be canceled and consumer boycotts could ensue. Anti-Americanism in Turkey would likely intensify, increasing the threat level for U.S. citizens and USG personnel living and working in Turkey.

MACRO-ECONOMIC PICTURE

¶11. (U) The Turkish economy has recovered strongly from the 2001 financial crisis, having achieved five years of GDP growth averaging over 7% -- the highest rate of any OECD country. In dollar terms, per capita GDP doubled to \$5,482 in ¶2006. Since 2004, for the first time since the early 1970's, inflation has been in single digits. At the same time, Turkey has stabilized its economy and reduced its vulnerability to financial problems, with net public sector debt to GDP falling from 90% in 2001 to 45% in 2006. Turkey achieved this through its IMF-sponsored economic program, including a 6.5% primary surplus target for the public sector and orthodox, pro-investor, pro-market policies. Despite this improved situation Turkey remains somewhat vulnerable if global emerging market sentiment turns negative because of Turkey's large current account deficit (8% of GDP in 2006),

the public sector's continued reliance on foreign portfolio investors rolling over mostly short-term debt, and risks of political or regional instability.

ENERGY ISSUES

¶12. (U) Turkey imports nearly all of its oil and natural gas. However, Turkey's strategic location, in-between Europe and the Middle East and Caspian regions, makes Turkey an important energy transit country. More than 3 million bbl of Caspian oil pass every day through the Bosphorus Straits, and nearly 1 million bbl/d of oil pass through the Baku-Tbilisi-Ceyhan (BTC) pipeline, the first transitional pipeline for Caspian oil that does not cross Russian soil. Turkey aspires to increase its role as an energy transit country by piping natural gas to meet Europe's growing needs, and will soon begin transporting gas from Azerbaijan to Greece, the first time Europe will receive Caspian gas by a non-Russian route. Turkey also aspires to construct the larger Nabucco pipeline to deliver natural gas across Turkey to Austria. The USG supports Nabucco, but only if filled with non-Iranian gas from Azerbaijan, Turkmenistan, Kazakhstan and possibly Iraq. Russia's recent announcements, reinforcing its hold on Turkmen gas and bypassing Turkey to sell gas to Italy, spurred Turkey to announce a preliminary MOU with Iran on a future gas deal, which we have protested.

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